

Business Education

Fresh perspectives on public sector needed

Soapbox

By Xavier Vives

The financial crisis and associated downturn in economic activity has led to massive public intervention in the economy.

Action has been taken, with unprecedented reductions in interest rates – still maintained – bail-outs of banking and other sectors, and large and co-ordinated fiscal stimuli, followed by a public debt panic.

The boundaries of the public and private spheres are being redefined. The fiscal crisis has imposed drastic cuts in the public budget to meet deficit targets, and governments are having to consider how to respond.

Budget pressures mean that if governments are to provide the same level of service, efficiencies must be found to do the same with less money, otherwise external financing will have to be tapped since recourse to the public budget is no longer possible.

The private sector is being asked to come to the rescue. Public-private partnerships have in the past proved they are able to increase efficiency in service provision in sectors as varied as education, transport and health. The key idea is that once the public sector has set the objectives that need to be accomplished, the private sector may be best suited to implement them in the most cost-efficient way.

Obviously, private service provision needs appropriate regulation and controls to make sure that the public objectives are followed. And besides the efficiency consideration, a financing consideration must be added, one that is becoming pressing in the

present context of the fiscal crisis.

The increased joint ventures of the public and the private sector will need managers who understand the workings of public institutions.

The revolving door of managers between the private and the public sectors may help, but its extent is quite limited in many European countries.

Business schools seem to be well positioned to lead the way in producing managers who can understand and work with the public sector. However, to do this they need both a cultural transformation and new learning.

They need to transform a culture that has viewed everything coming from the public sphere with suspicion. Public intervention imposes constraints on business but also leads to opportunities – such as clean energy.

Business schools also need to teach how to align the private and the social interest. Not all business practices yielding the same private benefit are equivalent from the social point of view.

Schools should develop a new thinking, integrating lessons from market and regulatory failures. Regulation and antitrust

analysis should be introduced into the MBA and executive education curricula. A side benefit of this would be to teach future managers to stay out of trouble and integrate potential regulatory intervention in the design and scenarios of business strategy.

Business schools need to learn not only the theory but the practice of the public sector. To do this they must engage in frontier research about the interaction between the public and the private sectors and experiment with courses and curricula, while seeking MBA and executive education applicants with experience in the public sector. This would place business schools in a position to provide a forum for dialogue between business leaders, regulators, consultants and academics. The aim of this forum must be to foster social objectives that increase the welfare of society.

Business schools need to adapt their teaching practices to educate managers to understand and work within the public sector, to be attuned to the post-crisis realities and help the public intervention in the economy to be effective.

By adapting these teaching practices and fostering research at the crossroads between the public and the private sectors, business schools will find themselves working for the benefit of society and transferring this new learning to the private sector.

IT'S NOT WHAT IT LOOKS LIKE—THIS IS THE PRACTICAL PART OF THE PUBLIC SERVICE SEGMENT IN MY MBA COURSE



Xavier Vives is director of the Public-Private Research Center at Iese Business School and editor of Competition Policy in the EU: Fifty Years on from the Treaty of Rome (Oxford University Press).

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